

8/15/85

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Manufacturers' Woes Continue

Services Take Up Slack

May's data for Pennsylvania show a continuing pattern of decline in manufacturing industries accompanied by a robust and growing service sector.

The seasonally adjusted job level in Pennsylvania's factories fell another 0.6 percent in May, putting it 3.5 percent below the level of a year earlier. Employment in some manufacturing industries, such as steel and textiles, were at new lows.

On the other hand, employment in the service-producing sector rose a seasonally adjusted 0.5 percent in May, reaching a new all-time high. The growth industries within this sector include wholesale and retail trade, finance, insurance and real estate industries and general service industries — all at or near record employment.

The increases in the service sector more than offset the decline in manufacturing, bringing the seasonally adjusted total nonfarm industry job level up 0.2 percent in May and 1.5 percent over the year.

But Pennsylvania's job performance was pale

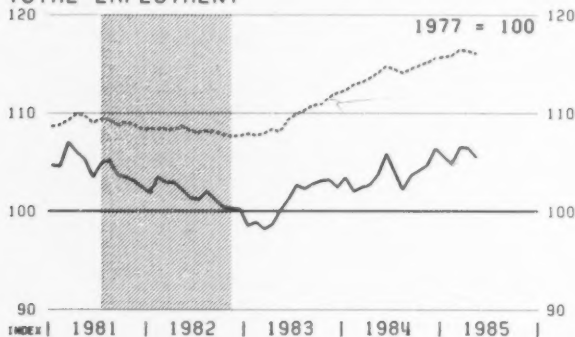
compared to the nation as a whole. Total nonfarm industry jobs rose 3.7 percent nationwide from May to May. This rise was fueled by a 4.4 percent rise in the number of jobs in the service-producing sector. The comparable increase in service-producing jobs in Pennsylvania was a smaller 2.8 percent.

In addition, the drag on total employment growth from declines in factory jobs was not experienced at the national level. Nationally, the factory job level in May was little changed from a year earlier.

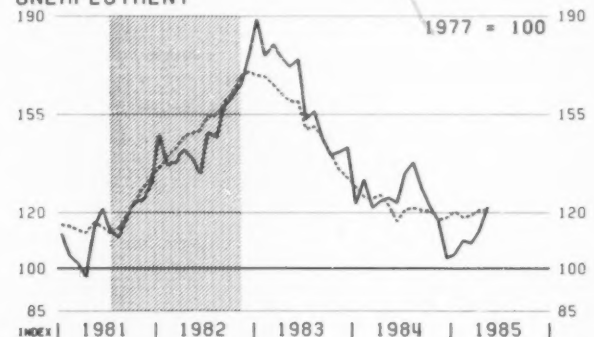
The question haunting the economy now is whether it can continue to grow on the strength of the service sector, without any help from manufacturing. Most forecasters believe it can, at least through the rest of the year, but at a very sluggish pace.

A moderate 0.3 percent increase in the Pennsylvania Index of Leading Indicators in May gave credence to their forecasts. The increase came from all three of its components — average weekly hours worked by production workers in manufacturing industries, initial

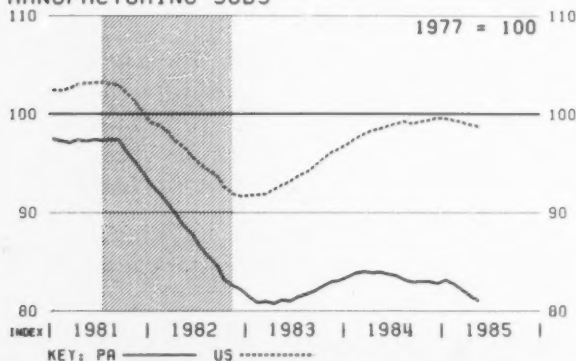
TOTAL EMPLOYMENT



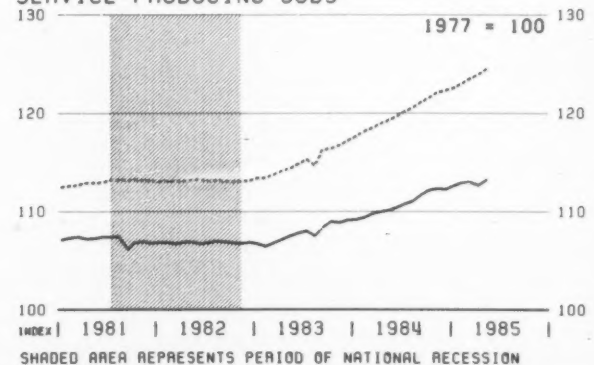
UNEMPLOYMENT



MANUFACTURING JOBS



SERVICE-PRODUCING JOBS



PENNSYLVANIA BUSINESS SURVEY

Economic Activity in Pennsylvania	1985			Seasonally Adjusted Indexes (1977 = 100)		
	1985		1984	1985		1984
	April	May	May	April	May	May
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.) ¹	4,692.*	4,732.	4,662.	102.8	103.0	101.5
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,598.*	3,640.	3,530.	111.6	112.2	108.7
Manufacturing						
No. of wage and salaried jobs (thous.)	1,091.*	1,089.	1,128.	81.5	81.0	84.0
Ave. wkly. hrs. worked by prod. workers	39.4*	39.7	40.2	99.9*	100.5	101.7
Total wkly. person-hours worked (mils.)	29.4*	29.5	31.4	77.0*	76.5	81.5
Total wkly. payroll (mil. dols.)	281.2*	281.6	290.0	125.8*	125.2	129.0
Steel production (thous. tons)	1,199.	1,077.	1,581.	49.	45.	66.
Industrial electric power sales (mil. kwh)	3,565.	3,472.	3,659.	96.	96.	101.
Mining						
Anthracite coal (thous. net tons)	320.	329.	377.	82.	68.	77.
Bituminous coal (thous. net tons)	5,404.	n.a.	5,905.†	80.	n.a.	89.†
Construction contracts awarded (mil. dols.)						
Total	696.0	751.5	601.4*	188.	227.	176.*
Residential building	293.0	329.2	306.1*	164.	179.	171.*
Other building	207.4	289.9	177.9*	195.	347.	214.*
Nonbuilding (utilities and public works)	195.6	132.4	117.4*	227.	139.	128.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	5,000.	5,040.	4,956.	106.5	105.5	103.8
Unemployed						
No. of persons (thous.)	447.	460.	473.	113.4	122.0	125.2
Rate (percentage of labor force)	8.2	8.4	8.7			
Rate, seasonally adjusted	8.3	8.8	9.2			
Civilian labor force, no. of persons (thous.)	5,448.	5,500.	5,429.	107.0	106.8	105.4
Initial claims for unemployment benefits	130,564.	106,406.	105,454.	90.9	87.0	85.7
Consumer Prices, all items						
	Urban Indexes (1967 = 100)			Percentage Change		
	1985	1984		Month	Year	
	April	May	May	Ago	Ago	
U.S. city average	320.1	321.3	309.7	+0.4	+3.7	
Philadelphia	312.4	314.2	298.7	+0.6	+5.2	
Pittsburgh	324.3	n.a.	318.6†	n.a.	+1.8	
Northeast PA	n.a.	306.0	294.7	n.a.	+3.8	

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.

¹ Total includes workers on strike. * = figure revised † = figure for April 1984 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

claims for unemployment compensation and the value of construction contracts awarded for residential buildings.

The increase in the average weekly number of hours worked by factory production workers, though moderate-sized, was widespread. The average workweek lengthened in primary metals factories, other durable goods factories and nondurable goods factories alike.

New claims for unemployment benefits declined more than expected. The 4.4 percent drop in the seasonally adjusted level of initial claims brought it to just above the level of one year ago.

The lengthened workweek and the fewer claims suggest improving employment conditions in the following months. The improvement will come not only from service industries, but also from the building industries. Awards for new construction contracts rose dramatically in May.

Lower interest rates and anticipation of federal tax revision are key factors behind the recent surge in construction contracts. The seasonally adjusted value of

contract awards rose more than 20 percent from April's level.

Most of the rise came from awards for nonresidential buildings, the value of which rose a seasonally adjusted 78 percent in May to its highest level ever for a single month. Despite the growing surplus of office space, businesses are pushing to get projects going in order to qualify for accelerated depreciation before the tax laws change. In the first five months of this year, the value of nonresidential building awards was more than 5 percent above the cumulative value in the first five months of last year.

At the same time, the housing industry is having its best year so far in the 1980s. The seasonally adjusted value of residential building awards rose 9 percent in May, and the cumulative total value in the first five months of the year was more than 21 percent above last year's five-month total.

On the other hand, after two months of big gains in

(continued on page 6.)

Pennsylvania Economic Studies, 1983-1984

The following is an update of the CFR publication, *Pennsylvania Economic Studies: A Bibliography*, which includes citations for articles, books, monographs, dissertations, theses and reports produced from 1947 through 1982. All works cited in this earlier publication contain some analysis of the economy of Pennsylvania, the economies of its counties or of regions that include all or part of the state, or the economy of Pennsylvania combined with the economies of other states.

The update includes similar works produced in 1983 and 1984, plus statistical compilations and planning documents, not included in the scope of the earlier publication. The 67 citations are arranged by broad subject classification.

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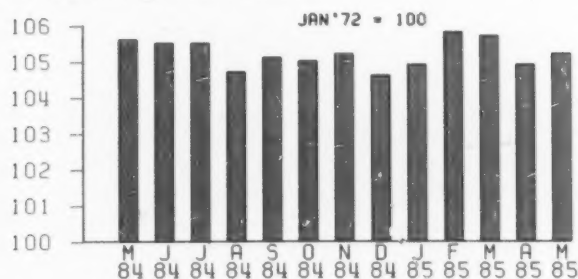
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Pennsylvania Composite Index of Leading Indicators



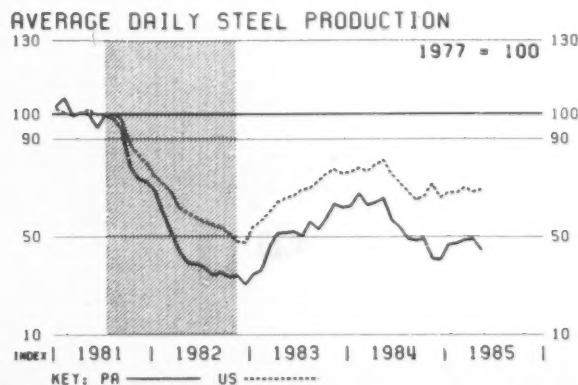
the seasonally adjusted value of contracts for nonbuilding structures (utilities and public works), a 39 percent drop was seen in May. But this series is highly volatile, and therefore a low value for a single month does not indicate a decline in activity. The cumulative value of these awards was almost 13 percent above last year's value.

Employment in construction industries continued to climb in May after slipping in April. May's 1.2 percent increase in the seasonally adjusted job level in this industry group brought it to 11.3 percent above the level of May 1984.

The decline in manufacturing activity in the state impacted on other economic indicators. Industrial electric power sales, a measure of short-run changes in industrial output, was unchanged in May after seasonal adjustment and was 4.7 percent less than it was one year earlier.

Steel production was down from last year's level by almost one-third. May's 9.5 percent drop in the seasonally adjusted average daily production of steel in Pennsylvania compares to a 1.4 percent drop nationwide. Consequently, the state's share of total national production dropped to 13.8 percent from the 15.2 percent registered in April.

The reduced factory production and employment levels resulted in smaller payrolls. Seasonally adjusted payrolls in the state's manufacturing industries slipped 0.5 percent in May to its lowest level since December 1983. After further adjustment for inflation, the over-the-year drop in factory payrolls measured 6.4 percent.



Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	Coincident	Leading	Coincident
May 1984	105.6	88.9	0.6	0.4
June	105.5	89.6	-0.1	0.7
July	105.5	88.7	0.0	-1.0
August	104.7	87.9	-0.8	-0.9
September	105.1	88.4	0.4	0.6
October	105.0	88.5	-0.1	0.1
November	105.2	88.6	0.2	0.1
December	104.6	88.8	-0.6	0.2
January 1985	104.9	88.3	0.3	-0.6
February	105.8	88.0	0.9	-0.3
March	105.7	88.2	-0.1	0.2
April	104.9	87.6	-0.8	-0.7
May	105.2	87.0	0.3	-0.7

Furthermore, production and employment in the state's mines continued to decline in May. Mines were operating with a work force only three-fourths the size prevailing in 1979, the year before the two most recent recessions.

Employment figures for Pennsylvania from the May Current Population Survey also show the impact of the contraction in manufacturing and mining. Total resident employment measured from this survey did not rise as expected, resulting in a seasonally adjusted decline of 0.9 percent.

Unemployment measured from the same survey rose in May, whereas a decline was expected. Consequently, the seasonally adjusted unemployment rate rose to 8.8 percent in May from 8.3 percent in April but remained below the 9.2 percent registered in May of 1984.

Nationally, total resident employment rose in line with the usual seasonal patterns for May and, after adjustment, was little changed over the month. Furthermore, both the seasonally adjusted level of unemployment and the jobless rate for civilian workers (7.3 percent) were at the levels that have prevailed since February.

Inflation remained moderate in May. Consumer price increases in the Philadelphia area continued to outpace the U.S. city average while prices were rising more slowly in the Pittsburgh area.

— Norma I. Gavin

Labor Market Experience Varies Among Population Groups

Employment rose almost 3 percent in Pennsylvania from the first quarter of last year to the first quarter of this year. But the increase was not evenly distributed across demographic groups. Males and blacks showed little or no employment growth while employment of females rose 6.6 percent and employment of whites advanced 3.4 percent. Teenage employment in the state rose 5.6 percent over the year.

Unemployment rates in the state also varied greatly over demographic groups. During the first quarter, they ranged from a high of 19.8 percent for teenagers to a low of 8.2 percent for whites. Employment dropped and unemployment rose over the quarter for most groups, but these movements were no more than expected from regular seasonal variation. After seasonal adjustment, the overall jobless rate was 8.0 percent — its lowest quarterly level in four years.

The reversal in the historical trend for female jobless rates to exceed those of males, first seen in the fourth quarter of 1981, continued in Pennsylvania during the first quarter of this year. However, the differential in the rates narrowed. Unemployment among males stood at 9.1 percent in the first quarter and was 0.7 of a percentage point higher than the female rate. In the same period of last year, the male jobless rate was 11.3 percent, which was 2.6 percentage points higher than the female rate.

But the narrowed differential represents little improvement in unemployment among females. While the male jobless rate has declined substantially over the year, the female rate was essentially unchanged. Employment gains among females have been absorbed

by new entrants to the labor force. The female labor force participation rate, the proportion of women working as well as those looking for work, rose to 48.2 percent in the first quarter from 46.6 percent in the same quarter of last year.

The greater relative rise in female employment was due to the greater relative growth in female-dominated industries compared to male-dominated industries. For example, first-quarter-to-first-quarter employment growth rates in service industries and in finance, insurance and real estate industries were 4.4 percent and 4.0 percent, respectively. More than half the work force of these industry groups is female. This compares to a 1.3 percent decline in the number of jobs in the manufacturing industry group, which has a predominately male work force.

No improvement in the job picture for Pennsylvania blacks took place over the year. The black unemployment rate fell 5 full percentage points in the first quarter from the same quarter of last year, but the decline was not accompanied by an increase in employment. Instead, the lack of opportunities caused more blacks to become discouraged and temporarily leave the work force. The labor force participation rate for blacks fell to 44.4 percent in the first quarter from 50.2 percent a year earlier. The jobless rate for blacks at 16.7 percent in the first quarter was still twice the rate for whites.

Teenage unemployment at 19.8 percent in the first quarter has fluctuated between 17.5 percent and 25.6 percent during the past four years. Because the declining number of youths in this population group is expected to

Employment Data by Sex and Race and for Teenagers — Pennsylvania and the United States

	Number Employed 1985 I (in thousands)	Percentage Change in Employment		Unemployment Rates			Labor Force Participation Rate		
		Over Quarter	Over Year	1985	1984	1984	1985	1984	1984
				I	IV	I	I	IV	I
Pennsylvania									
Total, seasonally adjusted	5,071	0.4	—	8.0	8.3	9.3	59.7	59.8	59.1
Total, unadjusted	4,929	-3.9	2.9	8.8	7.9	10.2	58.5	60.3	58.0
Male	2,724	-6.4	0.1	9.1	8.3	11.3	70.6	72.7	70.7
Female	2,205	-0.6	6.6	8.4	7.3	8.7	48.2	49.2	46.6
White	4,606	-3.2	3.4	8.2	7.0	9.3	60.0	60.5	58.7
Black	301	-4.7	-1.0	16.7	20.4	21.7	44.4	57.2	50.2
16-19 years old	282	-4.1	5.6	19.8	20.8	21.8	46.8	51.8	44.6
United States									
Total, seasonally adjusted	106,732	0.7	—	7.3	7.2	7.9	64.9	64.5	64.1
Total, unadjusted	104,934	-1.2	2.9	7.8	7.0	8.4	64.1	64.4	63.4
Male	58,358	-1.9	2.6	8.0	6.8	8.9	75.4	76.0	75.3
Female	46,577	-0.3	3.9	7.6	7.1	7.9	54.0	54.0	52.7
White	91,891	-1.0	2.2	6.8	6.0	7.4	64.4	64.7	63.8
Black	10,221	-1.9	5.7	15.4	14.6	16.7	61.8	62.7	60.4
16-19 years old	5,897	-3.3	2.8	19.4	18.2	20.6	50.1	51.2	48.4

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

be offset by rising participation rates, the youth labor force is projected to be about the same level this summer as last summer. The youth labor force generally increases sharply each summer, as students vie for temporary summer work and as high school and college graduates, many of whom were not in the labor force while attending school, seek regular jobs.

Nationally, employment gains were more evenly distributed across demographic groups, ranging from a low of 2.2 percent for whites and a high of 5.7 percent for blacks. Furthermore, unemployment rates for the nation were consistently lower than those in Pennsylvania, and national labor force participation rates were consistently higher and ranged within a narrower band.

— Norma I. Gavin

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